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SUBJECT: INDONESIA SEEKS TO DEVELOP NUCLEAR POWER BUT FEW
IMMEDIATE COMMERCIAL OPPORTUNITIES

REF: STATE 127423

¶1. Indonesia has long-term plans to develop a nuclear power plant and currently operates three experimental reactors. The country is involved in creating the legal, regulatory, and scientific institutional capacity to operate a nuclear power plant, often in cooperation with the U.S. government. Indonesia's senior leadership has not/not made the final decision regarding going forward with a nuclear power plant. There will likely be opportunities for foreign nuclear-related construction and services companies once Indonesian officials decide to develop nuclear power.

Overview of Civil Nuclear Power Program

¶2. Indonesia has plans to develop at least one nuclear power plant, and existing plans, drawn up more than a decade ago, call for completion by 2016. Before anything can begin, the President of Indonesia must make the decision to go ahead with these plans, although he is unlikely to do so before the Presidential elections in 2009. This delay puts the 2016 goal in doubt. Indonesia's official long-term energy policy assumes the existence of a nuclear power plant by 2025.

¶3. There are several motivations for nuclear power - energy security, rapidly growing electricity demand, and current power constraints which lead to rolling blackouts. However, the government has not yet made the decision as to whether a nuclear power plant would be privately owned, government-owned, or owned by PLN (the government-owned power company, which has a monopoly on providing electricity).

¶4. Indonesia is also in the process of updating liability rules for the nuclear power sector, but has not yet finalized these rules.

¶5. Indonesia has three nuclear research reactors, the largest of which is a 30 MW reactor complex in Serpong, near Jakarta. The three reactors have domestic scientific and technical staff running them.

Official Structure

¶6. Two Indonesian government agencies have primary responsibility for nuclear issues. Both have frequent exchanges, including training programs, with the U.S. Department of Energy, the Nuclear Regulatory Commission, and the Department of State's Bureau of International Security and Nonproliferation.

BAPETEN: The Nuclear Energy Regulatory Agency is the nuclear regulator. It is still in the process of writing the regulations necessary for a nuclear power industry.

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BATAN: The National Nuclear Energy Agency operates the existing reactors and will have a role in the operation of a nuclear power plant.

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Opportunities for U.S. Industry

¶7. Although there are several power construction companies in Indonesia, it is unlikely that there exists sufficient expertise to independently construct all parts of a nuclear power plant. However, plans are still notional. The Indonesian government has not made decisions regarding the ownership structure of a nuclear power plant (public vs. private). There are no firm tendering plans in the works.

¶8. Indonesia has a number of nuclear agreements with the

United States, including an active 123 Agreement.

¶9. The primary commercial opportunity in the Indonesian nuclear sector is the supply of fuel. Indonesia has in the past purchased fuel from both the United States and France.
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